

**SAMUEL RIVERS**  
**ZION TOWERS APARTMENTS**  
**515 ELIZABETH AVENUE, APT. 5E**  
**NEWARK, NEW JERSEY 07112-2547**  
**(973)-926-3924 HOME EVENINGS**  
**(973)-762-1102 WORK DAYS**

June 25, 1998

Mr. Paul Aprigliano  
 Director of Multi-Family Housing  
 United States Department of Housing  
 and Urban Development (HUDS)  
 One Newark Center  
 Newark, New Jersey 07102-5250

Dear Sir:

I am a tenant at the Zion Towers Apartments in Newark, New Jersey. This property has been reviewed for a 5% rent increase by New Jersey State Housing and Mortgage Finance Agency. I urge you to reject this application. An increase in rents at this project is unjustified, and unnecessary.

Upon inspection of the reasons given for a need for an increase in the application submitted by the managing agent, it can be calculated that the the cost submitted with the Financial's only went up 2/10 of one percent.

6/30/976/30/96

	<u>Page</u>				increase (+) or decrease (-)
1. Salaries and related charges	19	385,068	399,107	(-) 14,039	
2. Property Taxes	3	251,582	255,689	(-) 4,107	
3. Insurance	3	110,345	108,159	(+) 2,191	
4. Water	22	46,926	46,627	(+) 299	
5. Electricity	22	<u>201,055</u>	<u>183,391</u>	<u>(+) 17,664</u>	
TOTALS:		994,976	992,968	(+) 2,008	

$$2,008 \div 992,968 = .0020\%$$

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent by Paul ApriglianoStreet & Number One Newark CenterPost Office, State, & ZIP Code Newark 07102-5

Postage \$

Certified Fee

Special Delivery Fee NORestrictive Delivery Fee NReturn Receipt Showing to Whom N

Date &amp; Addressee's Address

TOTAL Postage & Fees 0.70

Postmark or Date

PS Form 3800, April 1995

Page 2

I have included all correspondence to, and from (NJHMF), regarding this matter. In the last letter received from (NJHMF) Director of Management Anthony Capano dated May 20, 1998, he cites the projected expenses from the 1998/1999 operating budget as a factor.

The (NJHMFA) Annual Budget and accompanying Audited Financial Statement does not support a 5% increase.

## BUDGET SUBMITTED FOR YEAR ENDED 12/31/98

Page

2 BUDGET YEAR/  
APPROVED BY NJHMFA

APARTMENT RENTS	\$2,638,512
VACANCIES	267,851
VACANCIES %	10.1%

[illegible]

APARTMENT RENTS	\$2,464,380
VACANCIES	167,330
VACANCIES %	6.8%

NJHMFA has approved a 10.1% vacancy rate for the Budget year. This is 3/3% higher than the 6.8% rate that is estimated for the current year. This is an under estimate of rental income of \$81,325.

2 GARAGE AND PARKING INCOME:

BUDGET YEAR:	\$20,000
CURRENT YEAR:	\$22,131

CHANGE - 2,131

NJHMFPA has again under estimated budget year income based on the data supplied in estimated income for 12 months this current year.

4 SALARIES:

BUDGET YEAR/	\$406,900
ESTIMATED NJHFMA APPROVED	
CURRENT YEAR ACTUAL	\$346,590
CHANGE	<u>\$ 60,310</u>
% INCREASE	17.4%

Management is proposing to increase salaries by 17.4%, this is excessive.

Mr. Paul Aprigliano  
June 25, 1998  
Page 3

Management has budgeted \$200,000 under the classification of REPAIR and REPLACEMENT and RESERVES. This amounts to 8.5% of the rental income. \$200,000 was also budgeted for the current year. In 1996 this line of the budget was \$198,300 dollars.

The \$200,000 budget year allocation is not supported by the independent auditor's report which showed an increases in the repairs and replacement fund of \$58,805 as follows:

CHANGES IN RESERVE BALANCE FOR YEAR ENDED JUNE 30, 1997

24 <sup>1</sup> Reserves for repairs and replacement	Opening Balance	Additions	Withdrawals	Interest	Ending Balance
	\$38,675	\$103,908	\$48,745	\$3,642	\$97,480
	Ending Balance		\$97,480		
	Opening Balance		- \$38,675		
			\$58,805		

For the last several years this property has received assistance payments from the Flex Subsidy Program in the amount of \$1,771,115 dollars for capital improvements. In addition there was a (CIAP Mortgage) of \$1,460,117 of this amount \$334,772 was undisbursed as of June 30, 1997. In view of these enormous Federal and State subsidiaries given to the building for the purpose of maintaining affordable housing, the operating budget should not require \$200,000 this year as justification for a 5% increase.

As you know, Zion Towers is annually subjected to rent increase applications from management, and New Jersey Housing Mortgage Finance. In each of these applications NJHMFA has assumed the role of advocate, if not instigator, for a rent increase. Market rent paying tenants, HUD, Federal, and State tax payers need an advocacy. An honest, fair professional review of this application on its fiscal merits, and impact upon all parties involved.

Sincerely,



Samuel Rivers

cc: Frank Hutchins Newark HUD Coalition  
Nancy Zack Newark HUD Coalition  
Bill Goode Newark HUD Coalition

SAMUEL RIVERS  
 ZION TOWERS APARTMENTS  
 515 ELIZABETH AVENUE, APT. 5E  
 NEWARK, NEW JERSEY 07112-2547  
 (973)-926-3924 HOME EVENINGS  
 (973)-762-1102 WORK DAYS

May 20, 1998

Mr. Timothy Touhey  
 Executive Director  
 New Jersey Housing and  
 Mortgage Finance Agency (NJHMFA)  
 637 Clinton Avenue, P.O. Box 18850  
 Trenton, New Jersey 08650-2085

Dear Sir:

I am a tenant at the Zion Towers Apartments in Newark, New Jersey. This property is presently being considered for a 5% rent increase by NJHMFA's Director of Management, Anthony Capano.

This application for rent increase submitted to Mr. Capano has numerous violations of state regulations.

It was written and submitted by the Managing Agent, Raymond P. Mazulli, and not by the sponsor as required. by NJHMFA Regulations 5:80-9.3(a)(b)

Sect. 5.80-9.3(a)

at least once each year, each housing sponsor shall make a determination of the rents and and as carrying charges to be applied in the housing project.

Sect. 580-9.3(b)

the rent determination shall be in the form of a resolution from the sponsor.

Raymond Mazulli is not the sponsor of this project, and his submission of this application is a clear violation of this regulation, and a conflict of interest, since he benefits from 6 1/2% of any rent increase granted by NJHMFA.

The application is originally dated March 28, 1998, but tenants were not notified, violating regulations 5:80-9.6(a)

Please check to indicate the following information for this property:	
<input type="checkbox"/> 1. Addressed to the authority	<input type="checkbox"/> 2. Addressed to the authority
<input type="checkbox"/> 3. Registered property	<input type="checkbox"/> 4. Registered property
Please check to indicate the following information for this property:	
<input type="checkbox"/> 5. Registered property	<input type="checkbox"/> 6. Registered property
<input type="checkbox"/> 7. Registered property	<input type="checkbox"/> 8. Registered property
<input type="checkbox"/> 9. Registered property	<input type="checkbox"/> 10. Registered property
<input type="checkbox"/> 11. Registered property	<input type="checkbox"/> 12. Registered property
<input type="checkbox"/> 13. Registered property	<input type="checkbox"/> 14. Registered property
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Jane M. Kenny  
Chairman

Timothy J. Touhey  
Executive Director

April 28, 1998

Mr. Samuel Rivers  
515 Elizabeth Avenue Apt 5E  
Newark, New Jersey 07112-2547

**RE:HMFA#2 ZION TOWERS  
RENTAL INCREASE NOTICE POSTING**

Dear Mr. Rivers:

The Agency is in receipt of your correspondence regarding the posting dates of the rental increase, by the owners of Zion Towers. The comment period for residents, or their representatives to review and respond to, the owners request for the rental increase is **April 16, 1998 thru May 16, 1998**. All correspondence relative to the rental increase, that is received at this Agency will be reviewed and responded to in accordance with established regulations regarding rental increases. This information was shared with Ms. Nancy Zak of the HUD Tenant Coalition, as she inquired on your behalf.

Please contact the management office of Zion Towers if you require any additional information relating to the rental increase application.

Sincerely,

Anthony Cupano  
Director of Management

cc: Timothy Touhey  
Francis A. Thomas



Jane M. Kenny  
Chairman

Timothy J. Touhey  
Executive Director

April 28, 1998

Mr. Samuel Rivers  
515 Elizabeth Avenue Apt 5E  
Newark, New Jersey 07112-2547

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Please contact the management office of Zion Towers if you require any additional information relating to the rental increase application.

Sincerely,

Anthony Cupano  
Director of Management

cc: Timothy Touhey  
Francis A. Thomas

May 20, 1998

Dear Sir:

I am a tenant at the Zion Towers Apartments in Newark, New Jersey. This property is presently being considered for a 5% rent increase by NJHMPA's Director of Management, Anthony Capano.

This application for rent increase submitted to Mr. Capano has numerous violations of state regulations.

It was written and submitted by the Managing Agent, Raymond P. Mazulli, and not by the sponsor as required. by NJHMFRA Regulations 5:80-9.3(a)(b)

Sect. 5.80-9.3(a)

at least once each year, each housing sponsor shall make a determination of the rents and and as carrying charges to be applied in the housing project.

Sect. 580-9.3 (b)

the rent determination shall be in the form of a resolution from the sponsor.

Raymond Mazulli is not the sponsor of this project, and his submission of this application is a clear violation of this regulation, and a conflict of interest, since he benefits from 6 1/2% of any rent increase granted by NJHMFA.

The application is originally dated March 28, 1998, but tenants were not notified, violating regulations 5:80-9.6(a)

[illegible]

SAMUEL RIVERS  
ZION TOWERS APARTMENTS  
515 ELIZABETH AVENUE, APARTMENT 5E  
NEWARK, NEW JERSEY 07112-2547  
DAY/WORK: (973) 762-1102  
EVEN/HOME: (973) 926-3294

April 27 1998

Anthony Cupano  
Director of Management  
New Jersey Housing and Mortgage  
Finance Agency (NJHMFA)  
637 Clinton Avenue, P.O. 18850  
Trenton, New Jersey 08650-2085

RE: Tenants Response Comments to  
5% across the board rent in-  
crease application of Raymond  
P. Marzulli at Zion Towers  
Apartments in Newark, New Jersey

Dear Sir:

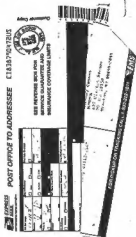
Pursuant to NJHMFA Regulation, I am writing you in response to the above application for a "5% across the board rent" increase in my building.

This application originally dated March 28, 1998 should be rejected because it does not meet the requirements of NJ State Regulations.

When the application was originally filed March 28, 1998, tenants were not notified and given a thirty (30) day period in which to review the application supporting documentation, and give their comments as mandated in the regulations. I have informed you about this via certified mail #Z053378125 and requested the voiding of the application on these grounds, and I have yet to get a response from you.

An amended notice dated April 15, 1998 was posted April 16, 1998 in the buildings lobby.

I reported to the site manager's office Monday evening, April 19, 1998 and requested copies of the application and supporting documents and was refused by Sheryl Washington, the site manager. I called the Marzulli Realty main office in Bloomfield and Mr. Dan Richie told me that I could inspect the documents in the office but copies would not be provided for me. It was only after I phoned Mrs. Nancy Zack of the Newark Hud Coalition and she phoned





Samuel Rivers  
April 27, 1998  
Page 2

Francis Thomas, that I was able to receive copies of the documents that day.

I have written Mr. Marzulli about the delay in posting (certified letter 205378131) and received a response from him that there was a posting, but he gives no date of posting, he states that the site manager also placed notices under each tenants door. This is false, I had not yet seen any posting in the building, and no rent increase application notice has been placed under my door, as surely you would have heard from me as you have in the past.

In reviewing the materials that were handed over by Ms. Washington on April 19, 1998 it was found that the application does not meet with the requirements of the N.J. State Regulations

Sect. 5:80-9.3(a)

at least once each year, each housing sponsor shall make a determination of the rents and/or carrying charges to be applied in the housing project.

Sect. 5:80-9.3(b)s

the rent determination shall be in the form of a resolution from the sponsor.

In this case the application is submitted by Raymond P. Marzulli who is the managing agent.

This is clearly a conflict of interest since Marzulli personally benefits as the recipient of 6 1/2% of any rent. The managing agent is a for profit enterprise with self-serving objectives. The non-profit sponsor has the interest of the tenants in the operations of the project.

The five costs centers cited by the management to justify a 5% rent increase actually increased 2/10 of one percent.

page	6/30/97	6/30/96	increase or decrease	%
19 salaries and related charges	385,068	399,107	(14,039)	-3.52
3 property taxes	251,582	255,689	( 4,107)	-1.61
3 insurance	110,345	108,159	2,191	+203
22 water	46,926	46,627	299	+0.64
22 electricity	<u>201,055</u> 994,976	<u>183,391</u> 992,968	<u>17,664</u> 2,008	<u>+9.63</u> +0.20

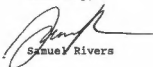
Samuel Rivers  
April 27, 1998  
Page 3

The reasons given for the need for an increase are not supported by the submitted fiscal data.

In the submission of this application Marzulli Realty has violated State regulations, he has usurped the role of the sponsor and assumed the role of building owner whose mission is to provide affordable housing. The data submitted by Marzulli with this application reveals there is no need for this increase.

I urge you to reject this application.

Sincerely,



Samuel Rivers

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY  
ANNUAL BUDGET

HMFA # 002 DEVELOPMENT Zion Towers  
ADDRESS 513 Elizabeth Avenue, Newark, NJ 07112  
SPONSOR/OWNER B'Nai Zion

YEAR ENDING 12 / 31 / 98

APARTMENT UNITS \_\_\_\_\_

SUPERINTENDENT(S) UNITS \_\_\_\_\_

OTHER UNITS \_\_\_\_\_

TOTAL 268

R F	ACCT CODE	CLASSIFICATION	PRIOR YEAR (AS AUDITED)	CURRENT YEAR		BUDGET YEAR
				7 ACTUAL (MONTHS)	12 ESTIMATED (MONTHS)	
1		INCOME				
2		APARTMENT RENTS (SCHEDULE A)	2,121,355	1,339,946	2,297,050	2,370,661
3		OTHER RENTS (SCHEDULE A)	38,849	21,497	36,852	34,000
4		TOTAL RENTS	2,160,204	1,361,443	2,333,902	2,404,661
5		OTHER INCOME (SCHEDULE B)	14,691	7,598	13,698	13,500
6		TOTAL INCOME	2,174,895	1,369,041	2,347,600	2,418,161
7						
8		EXPENSES				
9	9100	ADMINISTRATIVE (SCHEDULE C)	73,848	39,789	69,667	71,300
10	9200	SALARIES (SCHEDULE D)	385,068	206,646	346,590	406,900
11	9300	MAINT. & REPAIRS (SCHEDULE E)	157,695	116,411	176,860	156,800
12	9400	MAINT. CONTRACTS (SCHEDULE F)	355,724	197,257	372,900	372,400
13	9500	UTILITIES (SCHEDULE G)	465,554	246,456	417,600	459,200
14	9600	MANAGING AGENTS FEE ( %) 6.5%	139,280	75,116	151,007	155,900
15	9710	REAL ESTATE TAXES (EXHIBIT 2)	251,582	141,400	288,045	287,300
16	9712	INSURANCE (EXHIBIT 3)	110,345	57,400	98,400	104,700
17		TOTAL EXPENSES	1,939,096	1,080,475	1,921,069	2,014,500
18						
19		NET INCOME (LOSS) FROM OPERATIONS	235,799	288,566	426,531	403,661
20		DEBT SERVICE & RESERVES				
21	10900	DEBT SERVICE (EXHIBIT 4)	57,116	101,952	178,470	178,500
22	5817	HOUSING FINANCE FUND	25,549	14,904	25,600	25,600
23	5850	REPAIR & REPLACEMENT RES	55,163	113,175	200,000	200,000
24		TOTAL DEBT SERVICE & RES	137,828	230,031	404,070	404,100
25						
26		NET INCOME (LOSS)	97,971	58,535	22,461	(439)
27		ADD				
28	1997	OTHER SOURCES OF FUNDS				
29	1998	RESERVE REFUNDS				
30		DEDUCT				
31	1999	CAPITAL ADDITIONS (EXHIBIT 5)				
32	2160	RE-TURN ON EQUITY ( %)				
33		PROJECTED CASH FLOW (DEFICIT)				

Prepared by R. P. Marzulli Co., Inc.

Approved: X

Charlotte Kline

Signature [Signature]

Title

President

Date 3/1/98

Date X Charlotte Kline

ANNUAL BUDGET  
RENTS AND OTHER INCOME  
(SCHEDULES A AND B)

R E F	ACCT CODE	CLASSIFICATION	PRIOR YEAR (AS AUDITED)	CURRENT YEAR		BUDGET YEAR
				7 ACTUAL (MONTHS)	12 ESTIMATED (MONTHS)	
1		RENTS (SCHEDULE A)				
2	4110	APARTMENT RENTS	2,473,575	1,437,555	2,464,380	2,638,512
3	4210	VACANCIES (5%)	352,220	( 97,609 )	( 167,330 )	( 267,851 )
3	4211	COLLECTION LOSSES	( )	( )	( )	( )
4		NET APARTMENT RENTS	2,121,355	1,339,946	2,297,050	2,370,661
5		OTHER RENTS				
6	4130	COMMERCIAL	14,049	8,587	14,721	14,000
7	4150	GARAGE AND PARKING	24,800	12,910	22,131	20,000
8	4220	GARAGE AND PARKING VACANCIES	( )	( )	( )	( )
9	4230	COMMERCIAL VACANCY	( )	( )	( )	( )
10		NET OTHER RENTS	38,849	21,497	36,852	34,000
11		TOTAL RENTAL INCOME*	2,160,204	1,361,443	2,333,902	2,404,661
12		OTHER INCOME (SCHEDULE B)				
14	4310	LAUNDRY MACHINES	4,000	3,000	4,000	4,000
15	4320	AIR CONDITIONERS				
16	4340	VENDING MACHINES				
17	4350	MISCELLANEOUS SERVICE INCOME				
18	4410	INCOME FROM INVESTMENTS	10,254	4,598	9,198	9,000
19	4430	LATE CHARGES AND OTHER				
20	4450	INTEREST ON SECURITY DEPOSIT	437		500	500
21	4500	OTHER (ATTACH DETAIL)				
22		TOTAL OTHER INCOME*	14,961	7,598	13,698	13,500

\* TOTALS MUST AGREE WITH AMOUNT ON PAGE 1

WFA # 002 DEVELOPMENT Zion Towers YEAR ENDING 06 / 30 / 99  
 ADDRESS 515 Elizabeth Avenue, Newark, NJ 07112  
 OWNER Congregation B'Nei Zion

ANNUAL BUDGET  
 SALARIES AND RELATED CHARGES  
 (SCHEDULE D)

K F	ACT CODE	CLASSIFICATION	PRIOR YEAR (AS AUDITED)	CURRENT YEAR		BUDGET YEAR
				ACTUAL (MONTHS)	ESTIMATED (MONTHS)	
1	5210	SUPERINTENDENT'S SALARY	60,188	32,077	61,150	64,200
2	5211	JANITORIAL SALARIES	158,479	75,867	130,050	161,700
3	5212	GROUND AND LANDSCAPING SALARIES				
4	5213	SECURITY SALARIES				
5	5214	SOCIAL SERVICE SALARIES				
6	5215	OFFICE & ADMIN SALARIES	33,550	25,391	33,000	34,700
7	5216	MAINTENANCE SALARIES	37,925	28,896	41,500	43,200
8	5217	OTHER SALARIES	21,610	8,350	14,300	25,200
9	5218	BUS/VAN DRIVER SALARIES				
10	5201	EMPLOYEE BENEFITS	6,904	2,446	4,190	14,900
11	5202	EMPLOYER'S PAYROLL TAXES 11%	41,462	26,540	45,500	45,000
12	5203	WORKMENS COMPENSATION	8,678	7,079	16,900	18,000
13	5204	FIDELITY BONDS				
14		Super Apartment	16,272			
15						
16		TOTALS*	385,068	206,646	346,590	406,900

DETAILS OF PAYROLL

K F	CLASSIFICATION	CURRENT YEAR			BUDGET YEAR		
		# OF EMPL.	IND GROSS WKLY WAGES	TOTALS	# OF EMPL.	IND GROSS WKLY WAGES	TOTALS
1	SUPERINTENDENT	2	625.00 / 550.00	61,100	2	656.00 / 578.00	64,200
2	JANITORIAL	9	Various	154,024	9	Various	161,668
3	GROUND & LANDSCAPING						
4	SECURITY SALARIES						
5	SOCIAL SERVICES						
6	ADMINISTRATION	1	635.00	33,020	1	667.00	34,700
7	MAINTENANCE	2	382.00 / 410.00	41,184	2	401.00 / 430.00	43,200
8	OTHER	1	460.00	23,920	1	485.00	25,200

NOTE - PLEASE INDICATE EMPLOYEE IS PART-TIME

ZION TOWERS INCORPORATED  
NJHMFA #2  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997

**NOTE 5: CIAP MORTGAGE**

During the fiscal year ended JUNE 30, 1997, the Corporation secured a CIAP (Capital Improvements Assistance Program) Mortgage in the amount of \$1,460,117. The CIAP Program of improvements, applications, bidding, approval and payment is exclusively overseen by NJHMFA.

The Mortgage has a one percent interest rate payable annually from surplus operating income payable upon sale of the development. During the current fiscal year, the development expended \$46,120 of the funds, leaving Undisbursed CIAP Mortgage Proceeds of \$334,772 as of June 30, 1997.

**NOTE 6 FLEX SUBSIDY PROGRAM**

The Corporation participated in the Flexible Subsidy Program during the current and preceding years. After having developed a Management Improvement and Operating (MIO) Plan to the U S Department Of Housing and Urban Development, the Corporation received assistance payments in the amount of \$1,771,115 for major capital improvements.

As of June 30, 1997, a note of \$1,771,115 secures the loan at a stated rate of (one) 1% interest per annum and repayment of the principal and interest are subject to specific conditions dependent on a number of occurrences.

**NOTE 7. PRIOR PERIOD ADJUSTMENT**

**A. INTEREST DUE CITY OF NEWARK (SETTLEMENT)**

Litigation involving the Corporation and the City Of Newark had been resolved. As of June 30, 1997, the Corporation owed the City Of Newark \$385,128. The original settlement amount due the City Of Newark was \$550,000 payable in 107 monthly increments at 3.5%. A prior period adjustment of \$11,394 to reduce retained earnings was required in the current year to account for previously unrecorded interest expenses associated with the P I L O T (taxes) due the City Of Newark.

**B DEFERRED HOUSING FINANCE FUND ARREARS**

During the preceding fiscal year, it was determined that Deferred Housing Finance Fund Arrears were overstated on previous Financial Statements. A prior period adjustment of \$30,071 to increase retained earnings and reduce Other Current Liabilities was required. Management has elected not to restate prior Financial Statements.

ZION TOWERS INCORPORATED  
NJHMFA #2  
CHANGES IN RESERVE BALANCES  
FOR THE YEAR ENDED JUNE 30, 1997

	<u>OPENING</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>WITHDRAWALS</u>	<u>INTEREST</u> <u>EARNED</u>	<u>ENDING</u> <u>BALANCE</u>
Reserve For Repair & Replacement	\$ 38,675.	\$103,908	\$ 48,745	\$3,642.	\$ 97,480.
Insurance Escrow	\$ 32,989.	\$ 72,763	\$ 52,755.	\$2,680.	\$ 55,677.
Real Estate Tax Escrow	\$130,610.	\$241,068.	\$261,426.	\$5,689	\$115,941.
Minimum Escrow	\$ 28,000.	\$ -0-	\$ -0-	\$ -0-	\$ 28,000.
Flex Subsidy Escrow	\$ 4,722	\$ 66,044	\$ 70,858	\$ 130.	\$ 38.
Mortgage Escrow	\$ 14,852.	\$ -0-	\$ -0-	\$1,754	\$ 16,606.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE SCHEDULES



Jane M. Kenny  
Chairman

Timothy J. Touhey  
Executive Director

May 20, 1998

Mr. Samuel Rivers  
515 Elizabeth Ave.  
Apt. 5E  
Newark, NJ 07112-2547

Re: HMFA #2-Zion Towers  
Proposed Rent Increase

Dear Mr. Rivers:

The Agency is in receipt of your letter dated April 27, 1998 regarding the proposed rental increase at the above captioned development. The situations that you encountered with the Management Office (Ms. Washington and Mr. Ritchey) were due to a lack of communication and in no way intended to impede your review of the rent increase package. Additionally, I would like to state that rent increase regulations require that the rent increase package be held onsite for review by the residents or their representatives. The Agency, as a courtesy to the HUD Tenant Coalition, requested that the managing agent provide a copy of the rent increase package to the Coalition for review and comment.

Your inquiry regarding the comment period based on the reposting of the "NOTICE TO THE TENANTS" was agreed to by the Agency and therefore the comment period was extended to May 16, 1998. It is my understanding that the residents were made aware of this amendment.

Regarding your inquiries relative to the rent increase regulations, Section 5:80-9.3(a) and Section 5:80-9.3(b), please be advised that the submission of the rental increase package is the direct result of the review and analysis of the current financial position of Zion Towers, with consideration of the projected expenses for the 1998/99 fiscal year. As a result of the review, it was determined by the Owners of Zion Towers, that the current rents and/or carrying charges are insufficient to fund the projected expenses. Also, the resolution that was submitted in support of the rental increase request does conform with the rent increase regulation as noted in Section 5:80-9.3(b).



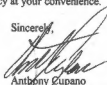
Mr. Samuel Rivers  
May 20, 1998  
Page 2

The Agency is in agreement with your contention that Marzulli Realty, Inc. is a for profit management company, but as with all Managing Agents, the management fee is regulated by our Agency and reviews are done to ensure these regulations are followed.

Please understand that while your analysis of the 1997 and 1996 expenses may have merit, it should be understood that the rental increase determination must also take into account the projected expense as indicated on the 1998/1999 operating budget, which is also included in the rental increase package.

On behalf of the Agency, I would like to assure you that consideration will be given to your comments on the proposed rental increase. I thank you for your concerns and should you have any questions, please feel free to contact the Agency at your convenience.

Sincerely,



Anthony Cupano  
Director of Management

ACFT/ma/let

c Timothy J. Touhey

## HUD Tenants' Coalition

July 3, 1998

Timothy Touhey  
Executive Director  
New Jersey Housing &  
Mortgage Finance Agency  
P.O. Box 18850  
Trenton, New Jersey 08650-2085

Dear Mr. Touhey,

It is extremely distressing to learn that yet another rent increase has been approved for Zion Towers in Newark without adequate answers to the serious questions raised by tenant Sam Rivers.

The major issue is the financial one. The managing agent gives a list of 4 items for which "the (rent) increase is necessary: salaries or related charges & insurance, electricity, water, real estate taxes and insurance." The notice just lists these items, without any explanation. How can this type of narrative statement, which is often repeated year after year without elaboration, like a rote formula, be adequate? It does not spell out how much these items have increased. Upon examining the attached documents, Mr. Milton Zisman, an accountant working with Mr. Rivers, says the increase is .2 of one percent. How does this justify a 5% rent increase?

Mr. Cupano's letter to Mr. Rivers (May 20, 1998) states that "it should be understood that the rental increase determination must also take into account the projected expense as indicated on the 1998/1999 operating budget." One can assume that the items which are going to be increased, are those listed. If there are other expenses which are being included as reasons for the rent increase, those should be stated. That is what the rent increase regulations call for. How can residents assess what the rent increase is due to, unless it is stated, and the exact amount those expenses are likely to increase should be stated.

Mr. Cupano's letter also states that the Agency, "as a courtesy to the HUD Tenant Coalition, requested that the managing agent provide a copy of the rent increase package to the Coalition for review and comment." In all of the HUD Tenants' Coalition meetings with NJHFMA's successive directors, beginning with Christiana Foglio, HTC asked that tenants be able to receive a copy of the complete rent increase application package, in order to have it reviewed by their accountant or lawyer. Rather than a matter of courtesy, it should be, by now, a matter of policy. Tenants must have access to the complete application package - not just at the site - but so that it is available for their lawyers and accountants to see.

Finally, was the question of who submitted this application, the owner or the manager, ever answered?

The issues raised by Mr. Rivers are important and they affect all the residents of Zion Towers, but also, of all privately-owned government-assisted properties in New Jersey. These affordable housing units represent an important taxpayer resource. It is important that tenant questions be answered, not ignored. It is important that regulations be followed. The failure to do so drives rents ever higher, and prices working people out of these buildings.

Exempting Mr. Rivers (for the moment, and on questionable grounds) from this particular rent increase is not an answer. (The same thing was done last year when he raised valid questions about the rent increase). In fact, it raises additional concerns.

HTC would appreciate your responses to these issues, and, in the meantime, will continue to explore all appropriate avenues to resolve them.

Sincerely,

Nancy Zak (973) 589-3353  
HUD Tenants' Coalition  
944 Broad St., Newark, N.J. 07102

c.c. Senator John Kelly  
Assemblyman Donald Tucker  
Larry Lustberg, Crummy Del Deo, et.al.  
Cesar Torres, Essex Newark Legal Services  
Governor Christine Whitman  
Ray Korona, Esq.  
Milton Zisman, Accountant  
Assemblyman William Payne